

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58072

**COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING**

Clallam, Jefferson, Grays Harbor
And Pacific Counties, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 31, 1997

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level	M-3
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements And Additional Information	F-1
Financial Statements:	
Balance Sheet - 1995	F-3
Statement Of Revenues, Expenditures, And Other Changes In Fund Balance - 1995	F-4
Notes To Financial Statements	F-6
Additional Information:	
Schedule Of State Financial Assistance - 1995	F-13
<hr/> Single Audit Section <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance	S-1
Schedule Of Federal Financial Assistance - 1995	S-2
Notes To Schedule Of Federal Financial Assistance	S-3
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs	S-4
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs	S-6
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions	S-8
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs	S-9
Schedule Of Federal Findings:	
1. The Council Of Governments Should Improve Its General Ledger Accounting	S-12
Schedule Of Questioned Costs	S-14
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

**COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995**

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements, as listed in the table of contents, of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Council of Governments is the responsibility of the council's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the council's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the council complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the council's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the council and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

We noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the council's management in our report on general requirements and in the Schedule of Federal Findings and Schedule of Questioned Costs.

This report is intended for the information of the management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the council, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent

with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

We noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the council's management in our report on general requirements and the Schedule of Federal Findings and Schedule of Questioned Costs.

This report is intended for the information of the management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the accompanying financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council of Governments, at December 31, 1995, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 1997, on our consideration of the council's internal control structure and a report dated January 14, 1997, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997. These financial statements are the responsibility of the council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Council of Governments taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997.

We have applied procedures to test the council's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the council's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the council had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Federal Findings and Schedule of Questioned Costs.

This report is intended for the information of the management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997.

We also have audited the council's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching
- reporting
- special tests and provisions related to performance of technical assistance, monitoring and evaluations, and voluntary contributions for Special Programs for the Aging) Nutrition Services (CFDA 93.045) and expenditure of allotments within proper period for Social Services Block Grant (CFDA 93.667) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for reimbursements
- and amounts claimed for matching

The management of the council is responsible for the council's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the council's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to in the second paragraph, which is described in the accompanying Schedule

of Federal Findings and Schedule of Questioned Costs. We have considered the instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Council of Governments complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997.

In connection with our audit of the financial statements of the council and with our consideration of the council's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to its nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the council's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Council of Governments had not complied, in all material respects, with those requirements.

This report is intended for the information of the management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS

Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington

January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs

Council of Governments
dba Olympic Area Agency on Aging
Aberdeen, Washington

We have audited the financial statements of the Council of Governments, Clallam, Jefferson, Grays Harbor and Pacific Counties, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 14, 1997. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the council complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the council's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated January 14, 1997.

The management of the council is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Purchasing
 - Payroll
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Eligibility
 - Matching
 - Reporting
 - Special requirements
- **Claims For Reimbursements**
- **Amounts Claimed For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Receiving
 - Inventory control
 - Property, plant, and equipment
 - General ledger

- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Drug-Free Workplace Act
- **Specific Requirements**
 - Level of effort and earmarking
- **Claims For Advances**
- **Amounts Used For Matching**

During the fiscal year ended December 31, 1995, the council expended 87 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the council's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and the council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 14, 1997

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The Council Of Governments Should Improve Its General Ledger Accounting

During our audit of the 1995 financial statements of the Council of Governments, doing business as the Olympic Area Agency on Aging, we noted numerous problems related to basic general ledger accounting. Some of the year-end adjusting entries were not prepared and kept on file. Incomplete and one-sided entries were noted, such as the reversal of the prior year's accrual to the revenue accounts without corresponding entry to the Due from Other Governments account. Sometimes the account balance would be changed in the general ledger without any entry being posted. We also noted an entry which should have been a credit was posted to the general ledger as a debit. The general ledger was not balanced to ensure that all entries had been properly posted. The postings to the general ledger were not completed in a timely manner. This resulted in several versions of the financial statements during the audit as noted errors were corrected.

The above situation resulted in incomplete data being entered into the general ledger system, reported on the financial statements, and not detected by the fiscal officer. It may have been one of the contributing factors to the same expenditures being coded to two different programs, resulting in the agency billing the state twice for the same expenditures. This occurred when the expenditures were posted into the first program, then posted into the second program, without transferring the expenditures out of the first programs. These problems cause audit costs to increase when basic accounting records are not organized, balanced, and supported and when financial statements are not correctly prepared by the agency.

The Olympic Area Agency of Aging was unaware these deficiencies existed and they had not assigned a high priority to general ledger accounting.

We recommend posting to the general ledger be completed in a timely manner. Year-end adjustments should have applicable journal entries prepared for them and kept on file. Periodically, the general ledger should be balanced to ensure that all entries have been properly posted. The general ledger account balances should be supported by documentation. We further recommend the financial statements be prepared in a timely manner.

Auditee's Response

O3A has implemented steps to ensure that the general ledger is completed and balanced in a timely manner and that financial statements are prepared in a timely manner.

Auditor's Concluding Remarks

It appears corrective action will be taken to assure the general ledger is updated and maintained in a timely manner. We will review this issue during our next regular audit.

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Questioned Costs

FEDERAL

<u>Grant</u>	<u>Costs Questioned</u>	<u>Explanation/ Reference</u>
Title III B Grants for Supportive Services and Senior Centers CFDA 93.044	\$ 6,239	Revenue was received in excess of actual expenditures incurred by the agency. There are no expenditures to support this additional revenue.
Title XIX Medical Assistance Program - Development Disabled On-Site Nurse Visits CFDA 93.778	<u>5,597</u>	COG's contract for this service is on a flat unit rate basis. By not distributing expenditures up to the flat unit rate, the agency is able to distribute expenditures to reimbursement type program and receive more revenue for the agency by this method of distribution.
Total Federal Questioned Costs	<u>11,836</u>	

STATE

SCSA	<u>34,566</u>	Expenditures were originally incurred under SCSA. Later, the same expenditures were posted to Title III B without a corresponding credit to SCSA. The state was billed twice, once under Title III B and once under SCSA for the same expenditures.
------	---------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Total State and Federal Questioned Costs \$46,402

Auditee's Response

O3A challenges the three identified questioned costs.

\$6,239/\$3,475.79 of this was the insurance payment for the O3A automobile. O3A received verbal approval from Yolanda Wilson with the Aging and Adult Services Administration in January 1995 to retain that funding, as long as it was reallocated to services (not Administration) in the same funding sources according to the proportions the car was initially funded. That is the reason that there was extra resources. We do not challenge the remaining \$2,763.21.

\$5,597) The contracts under which O3A received the flat unit rate and under which it distributed the costs do not disallow this type of distribution of expenditures.

\$34,566) O3A reduced its SCSA billing to the state in June 1996 before the end of the first year of the SCSA biennial contract. However, we recognize that this adjustment should have occurred in a more timely fashion and will ensure that it does in the future.

Auditor's Concluding Remarks

\$6,239.00) The agency feels it was allowed to apply the insurance refund balance of \$3,475.79 to programs in the same proportion as the car was originally funded. It is our contention the insurance refund is "Program Income." As such, we agree it should be applied to programs in the same proportion as the car was originally funded. However, we feel the proceeds should be applied against total program costs and deducted from the next A-19 reimbursement request instead of being retained by the agency.

\$5,597) We agree the unit rate contracts do not disallow this type of distribution of expenditures. We are questioning these costs to bring them to the attention of the Department of Social and Health Services.

\$34,566) We reaffirm our assertion the state was billed twice for the same expenditures.

We would like to thank the staff of the Olympic Area Agency on Aging for their assistance and cooperation throughout the course of our audit.